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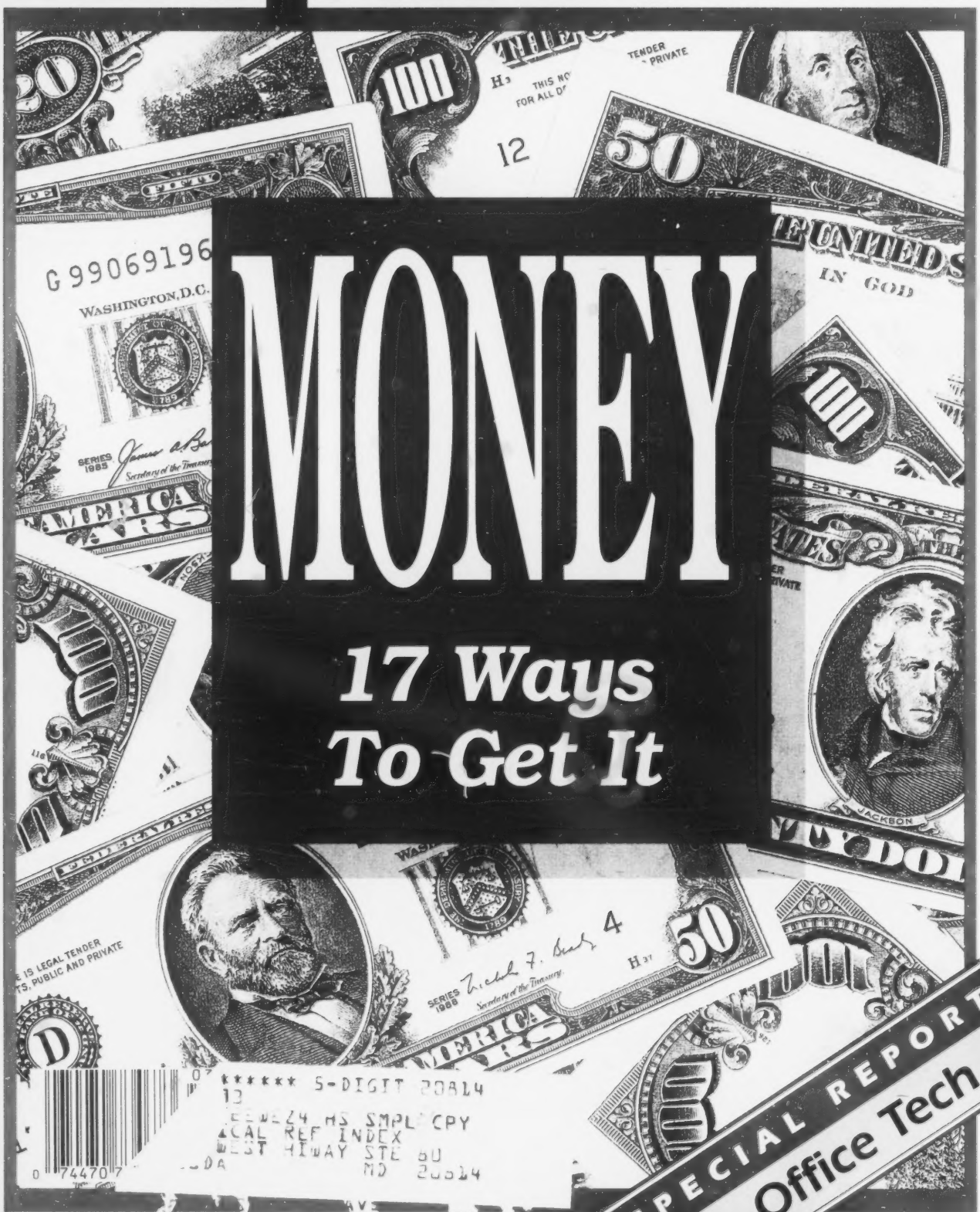

MONEY

17 Ways To Get It

SPECIAL REPORT: Office Tech

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Hispanic BUSINESS

The magazine for growth companies and ladder-oriented professionals

March 1991 Volume 13, Number 3

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This month's cover design by Buffalo Brothers Studios West.

DIRECT LINE

As the air pounding of Iraq continued through the end of January, analysts and commentators exerted themselves to reach some conclusive judgments as to the war's progress. But they found the task rough going. Even though the air war had been portrayed in very positive terms by the allied forces, material information regarding Saddam Hussein's continuing war capabilities was lacking.

Not surprisingly the worldwide media began to chafe at not receiving enough information from military sources about the impact the bombing had on Iraq's critical war resources. And it isn't surprising that the lack of information from the front started to affect our domestic dialogue about the economy. Going to war carries enormous implications for the state of both the U.S. and world economies.

For the economic analysts, it's a case of new uncertainties heaped on previous uncertainties: What will be the cost of the war? What will be the outcome in terms of a wide range of energy and other business related areas?

Many business commentators were predicting at the end of January that the domestic economy should start to bounce back from its recessionary shadows by the second quarter of the year. Other knowledgeable observers are, however, hedging their bets about the '90s, given all the unknowns attending the new decade's inception.

But as always there are some clear areas of opportunity.

Entrepreneurs and small business have yet to feel stymied by the economic slowdown and war related issues. Although their high business profile of the '80s has receded, Sun Belt entrepreneurs have continued to do business vigorously. And more importantly, they have continued to find the wherewithal to pursue their dreams.

Moreover, novel opportunities loom on the horizon, especially on the southern horizon, if the administration's interest in the free trade agreement with Mexico should come to pass. Of all the current economic unknowns, none promises more encouraging possibilities for savvy entrepreneurs.

This proposed free trade pact, already roughed out between Presidents Bush and Salinas and currently being negotiated, would harness the most populous and third most populous countries in the Western Hemisphere. It holds as dramatic a promise for the new world as the European Community agreements provided for the old.

And it holds a special promise for the many readers of this magazine who will have the advantage in Mexico of similarities in language and culture.

Then there's the gigantic S&L bailout, which can offer opportunities for qualified minority-owned contractors willing to make sure they understand the ins and outs of a major bureaucracy.

HISPANIC BUSINESS reports in this issue on all these areas of opportunity for entrepreneurs, and takes a hard look at where the money for these activities might come from.

Whether you're looking for a loan, equity, or leasing opportunities, there are still many ways to get funds if you're ready to be creative—at least 17 ways, according to this month's cover story.

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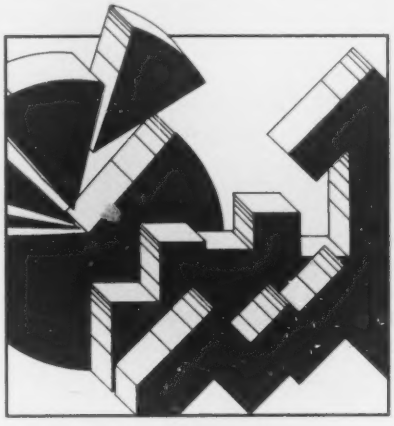
THE MARKETS



Recession...But Not For All

DRI/McGraw-Hill expects the West South Central region of the United States to continue its economic recovery while most of the country suffers through a recession. In its "Regional Forecast Summary," DRI, a business research division of the Standard & Poor's Corporation, predicts the region (Texas, Arkansas, Louisiana, and Oklahoma) will acquire 500,000 new jobs by 1993. Texas, with 21 percent of the country's Hispanic population, should dominate the region owing to low wages, favorable leasing rates, reasonable home prices, and efforts to diversify. The trade agreement with Mexico now under development is expected to boost Lone Star employment in the financial, wholesale trade, and distributive services sectors. DRI also predicts the New England states will account for about 20 percent of an estimated 513,000 job losses nationwide through June; the Middle Atlantic states another 25 percent; and the East North Central states almost 30 percent. Florida should escape relatively unscathed.

Is There Assurance With Insurance?

The insurance industry is not about to go the S&L way, although problem loans have caused losses in excess of $100 million for a few companies, and some failures and consolidations can be expected in the next 10 years. That is the message the U.S. Office of Thrift Supervision sent out in a recent issue of its "FreddieMac Reports" newsletter. According to the report, junk bonds, the nemesis of many failed S&Ls, are not generally thought to be a problem for insurers because they represent less than 5 percent of total assets. But insurance companies are more vulnerable when it comes to their mortgage and real estate investments, which amount to about a quarter of total assets. Reasons for reassurance, according to Moody's, a top rating agency for insurers, include "diversification by property type and geographic region, minimization of investments in construction loans, and low loan-to-value ratios—commonly as low as 75 percent at origination."

Little Borrowers Made In Heaven

A survey conducted by the Consumer Bankers Association (CBA) reveals that banking institutions are seeing small business borrowers in a new light. Nearly 80 percent of the banks and thrifts surveyed said they have specific plans to expand their lending activities with small businesses this year. "Despite talks about the credit crunch, banks are desperate for good quality loans right now," says CBA President Joseph Belew. "The last few months have shown them that they need to diversify in order to remain healthy and viable, and they feel they have not paid enough attention to small businesses, which are usually sound investments." Of the banks planning to expand lending to this segment, 22 percent say they will offer more products and services; 22 percent will restructure their delivery systems to focus on small businesses; 15 percent will increase their small business sales staff; and 13 percent will increase their underwriting staff devoted to the segment.

Projected Employment Change

(3rd Qtr. 1990 to 2nd Qtr. 1991)

Region	Job Change (000s)
West South Central	+10
Pacific Southwest	+2
Pacific Northwest	-12
South Atlantic	-38
East South Central	-49
West North Central	-50
New England	-104
Middle Atlantic	-128
East North Central	-143
TOTAL U.S.	**-513**

(Source: DRI/McGraw-Hill Regional Forecast Summary)

U.S.-Mexico Trade: The Curtain is Going Up

By Mark Nelson

Entrepreneurs plan key roles in the free trade era.

Presidents Bush and Salinas, corps of diplomats, teams of high-powered negotiators: they're all gearing up for this year's U.S.-Mexico free trade talks. The objective is a bilateral partnership near term, with hopes eventually for a free trade zone stretching from Canada to South America that can compete strongly with the united European Community and booming Pacific Rim.

The headlines are focusing on these high-level negotiations. But behind the headlines and big concepts, in the real world of bottom line business, other activities equally important to the future success of U.S.-Mexico free trade are getting up steam.

"Heads-up" entrepreneurs on both sides of the border are jockeying for what they think will be a big opportunity. From international bankers to local broom makers, from truck mechanics to bilateral trade consultants, companies of all kinds are expecting to cash in.

And the opportunities are not limited to established business expansions. Ambitious investors are looking to forge joint ventures, piggyback as subcontractors to larger corporations seeking new outlets, and even carve out whole new niche markets.

Mexico, with its projected population of 100 million by the year 2000, its labor costs pegged at one fourth of U.S. wages, and its hunger for new technology, is a huge, fresh market for American businesses. So despite the objections of sectors now protected from competition, many see a two-way street to betterment.

"It's difficult to indicate precisely what sectors will benefit the most, but it's safe to say those currently facing the biggest [trade] barriers now will enjoy the greatest benefits later on," says Miguel Leaman, who as Mexico's minister of trade affairs in Washington is a key player in the trade negotiations. He sees a "most definite increase in opportunities for the entrepreneur."

Manuel Duran (left), New York chapter president of the U.S. Mexico Chamber of Commerce, discusses benefits of free trade with Mexican Ambassador Gustavo Petricioli (center), and Francisco Gil, publisher of Expreso, a New York-based magazine that focuses on Latin America.

It's also safe to say that small business enterprises will benefit. "It is the cumulative effect of smaller companies that will make the real difference in trade growth," says Manuel Duran, New York chapter president of the U.S. Mexico Chamber of Commerce. "Let's face it, the big companies have already established big factories all over the world. This is an opportunity for the smaller and middle-sized business to secure the production of products with good quality and competitive prices, enabling it to compete more with the larger companies."

In fact, "the whole thrust of Mexico's foreign investment incentives so far has

been for small and medium-sized companies to locate down there," says George Munoz, a Harvard educated attorney whose Chicago law firm specializes in foreign trade and investment with Mexico and Latin America. "Politically, Mexico doesn't want to be seen as having sold out to the big conglomerates," he explains. "There's a belief that small and medium-sized businesses won't take over big markets, and that they'll probably be more fair, looking for long-term relationships as opposed to short-term profits."

And no matter what the size of the company, many observers believe U.S. Hispanics, particularly Mexican-Mericans, who make up more than half of the nation's 24 million Hispanic population, will have an edge once the trade doors open wide.

One Hispanic-American who is actively planning to pursue his edge is Gabriel Aguirre, CEO of Sani Serv Inc. in Indianapolis. Mr. Aguirre, who is also chairman of the U.S. Hispanic Chamber of Commerce, says he has been doing business in Mexico for 34 years. Although he predicts that "sales won't increase overnight because Mexico's expendable income will take a few years to grow," he expects his $25 million company, which sells frozen dairy product and drink dispensing machines as well as iced slush equipment for surgical transplants, to grow by 5 to 6 percent a year under a free trade agreement.

Mainstream corporations too are seeing the benefits of using U.S. Hispanic managers in their bid for business with Mexico. Companies like California's Fetzer Vineyards, toy making biggie Mattel Inc., and megacorporation AT&T all insist, as AT&T corporate spokesperson Vincent Salas puts it, that "knowing the Spanish language and culture are now critical skills." Fetzer has worked hard for a small toehold in Mexico. Mattel was among the first U.S. companies to participate in the maquiladora ("twin plant") program and now has facilities in Tijuana and Monterrey. And AT&T sees Mexico as a strategic manufacturer and supplier of its telephone and computer components.

With so many eager entrepreneurs ready to descend on expanded opportunities in Mexico, it's hard to believe how farfetched the idea of free trade seemed just a short time ago. It was born with the dramatic economic reforms of Mexican President Carlos Salinas de Gortari, a Harvard educated economist. Since President Salinas's election four years ago, his country has undergone a transformation from an isolated, protectionist economy to a more open, capitalistic system willing to compete in the global free market.

Representatives of USHCC and CANACO sign their own agreement to foster U.S.-Mexico trade. From left, Jose F. Nino, USHCC president; Eduardo Garcia, CANACO executive director, and Vicente Mayo, president; Gabriel Aguirre, USHCC chairman.

Under Salinas, a number of bold economic and trade reforms already have taken place that some refer to as "Salinastroika," by way of comparison with the free market advances of Soviet President Mikhail Gorbachev.

For example: Mexico's top marginal tax rate has been reduced gradually from 60 percent in 1986 to 35 percent last year. The special tax status of small companies has been abolished, a move that should encourage them to grow and potentially merge into larger enterprises. Similarly, special tax status has been abolished for transportation and agricultural companies. Most of the old nontariff barriers to trade, which included domestic-content quotas for autos and electronic products, have been eliminated. And more than 800 of the country's 1,000 state owned businesses have been divested, or authorized to divest, in a drive for privatization.

The reforms have paid off. Mexico's inflation rate has swooped down from 150 percent a year to less than 20 percent. The country's foreign debt has been renegotiated and is now manageable. The Mexican stock market is among the hottest in the world, nearly doubling in the past year and promising to quadruple again by the year 2000. The economy grew by 3 percent in 1989, not counting growth in Mexico's "informal economy" of an estimated 1.5 million small businesses.

In addition, foreign investment and foreign ownership are now encouraged, once-tight control of the peso has been relaxed, and restrictions on foreign exchange have been eased. For example, says Linda Haley-Newman, a Los Angeles-based attorney specializing in international law, a liberalized law on franchises in Mexico has created attractive opportunities for her clients to set up franchises there through Mexican businesspeople "and make some money."

Three years ago, in a clear reversal of protectionist policy, Mexico joined the 97-country General Agreement on Tariffs and Trade (GATT), a Geneva-based organization that sets and administers rules governing the world trading system. That and subsequent changes have helped to "dismantle a substantial portion of the prior protectionist apparatus in Mexico in a short span of time," according to Luis Pazos, a professor of economic theory at the Universidad Nacional Autonoma de Mexico.

In remarks made last year, professor Pazos said that tariffs were as high as 100 percent before GATT membership. Today, he says, "more than 80 percent of imported goods and services no longer require

special import regulations and quotas. Tariffs have been cut from 100 percent to a maximum of 20 percent. These numbers are expected to fall even lower."

Even without a formalized free trade agreement, such actions have stimulated business between the United States and Mexico. U.S. figures show that trade with Mexico totaled $52.1 billion in 1989 ($27 billion-plus in exports and $25 billion in imports), up from $43.9 billion in 1988.

The economies of both countries have become increasingly interwoven too. The United States is Mexico's largest market, taking 68 percent of its neighbor's exports. And Mexico is the third-largest U.S. trading partner (after Canada and Japan), accounting for 6 percent of total U.S. imports and 7 percent of all U.S. exports. In 1989 Mexico became the fourth-largest supplier of petroleum to the United States and the third-largest single market for U.S. agricultural exports.

More specifically, 44 percent of U.S. exports to Mexico begin their journey from inside the State of Texas, and 17 percent from California, according to the Bureau of the Census. (The Bureau has no figures on where the exports end up.) Accordingly, says Jorge Haynes, a senior vice president of International Bank of Commerce, the country's largest minority-owned bank, Texas is the state most likely to be affected by free trade. He notes that most current trade in both directions passes through the Laredo port of entry, where his bank is headquartered.

And over the past decade the maquiladora program in Mexico has flourished. (Numerous U.S., Japanese, and European companies participate in the program.) With about 1,800 maquiladora plants employing 17 percent of Mexico's total manufacturing employment and earning nearly $3 billion a year, the maquiladora sector is the second-largest source of foreign exchange for Mexico after oil exports, and ahead of tourism.

With these encouraging trends as a backdrop, President Salinas began speaking out early last year about the possibility of unrestricted trade with the United States. In a joint statement last June, Presidents Salinas and Bush endorsed the concept of a formalized free trade pact, which was symbolically reinforced later in the year at another meeting in Mexico's industrial capital of Monterrey.

Leading U.S. Sectors in Trade With Mexico

(Jan.-Oct. 1990)

Sector	$ Millions
Auto Parts	
Exports	2,563.0
Imports	1,074.0
Iron & Steel	
Exports	762.3
Imports	493.3
Textiles	
Exports	414.7
Imports	250.7
Automobiles	
Exports	289.7
Imports	1,947.9
Apparel	
Exports	282.0
Imports	540.6
Glass	
Exports	105.0
Imports	201.2
Footwear	
Exports	56.0
Imports	142.1

Source: Compiled by the Office of the U.S. Trade Representative from U.S. Department of Commerce statistics, 1991.

For the past several months, the two sides have been in what one U. S. trade official described as a "prenegotiating consultation period with Congress." During this time, a variety of public and private interest groups have researched and submitted their findings. These lobbying efforts have included strong support from the Border Trade Alliance, the U.S.-Mexico Chamber of Commerce, the U.S. Hispanic Chamber of Commerce and the U.S. Business Roundtable, among many others. (Late last year, the U.S. Hispanic Chamber signed an agreement with CANACO—the umbrella organization of all business chambers in Mexico—that they would assist each other in developing business relationships in both countries.)

All these studies have been digested and dissected by the International Trade Commission, a U.S. federal agency. The resulting mountain of input will now provide guidance for the U.S. Trade Representative's Office, headed by Carla Hills, which will serve as the chief negotiator for the United States. This office is the agency that negotiated the 1989 free trade agreement with Canada.

In fact, many believe the U.S.-Mexico free trade agreement will be modeled after the one with Canada, and there is a possibility that Canada may enter the talks with a trilateral trade proposal. Presidents Bush and Salinas both endorse this move, but it is under hot debate in Canada.

While the U.S.-Canada talks took about four years, it's anticipated that the talks with Mexico will be much quicker. In addition to wholehearted support from both countries' executive branches, the U.S.-Mexico proposal enjoys "fast track" status for Congressional approval. (Fast track status speeds talks because it requires the executive branch to consult with Congress during the bilateral negotiations. As a result, Congress can only vote "yes" or "no" on the entire agreement, and not get bogged down in voting on each specific issue.) And bilateral groups that were involved with the 1987 GATT talks will be utilized in negotiations on sensitive areas like property rights.

Further, a survey conducted last June for the Mexican Council of Businessmen found that 72 percent of the 102 members of Congress and senior Congressional staff questioned were in favor of a free trade agreement with Mexico to offset the effect of Europe's coming together in 1992.

"We must negotiate quickly with a vote so it doesn't end up being a Christmas tree list of everyone's desires," says a key U.S. trade negotiator. "We expect to begin negotiating in April and finish up by the end of 1991, so it can get approved before the 1992 presidential election."

Like any trade agreement, says the trade representative, this one will focus on general issues such as tariffs, trade, goods, services, products, intellectual property rights, patents, trademarks, copyrights, and dispute settlements.

For example, says Gus Furtado, the export manager for Fetzer Vineyards, streamlined procedures for product registration could save new market entrants years of frustrating stuggle. It took Fetzer

about 18 months to get its products registered in Mexico, Mr. Furtado remembers, because each of numerous government agencies required separate documents for each product. "No other country in the world requires this documentation."

His own company endured the process, Mr. Furtado says, because "Mexico represents a whole new market category for us, serving upper and middle class Mexican nationals and some 7 million yearly tourists from the United States and Canada who want familiar products in resorts." And now if a trade agreement is struck, he says, "it will make our products much more competitive in Mexico because it would reduce or eliminate a 20 percent [import] tax."

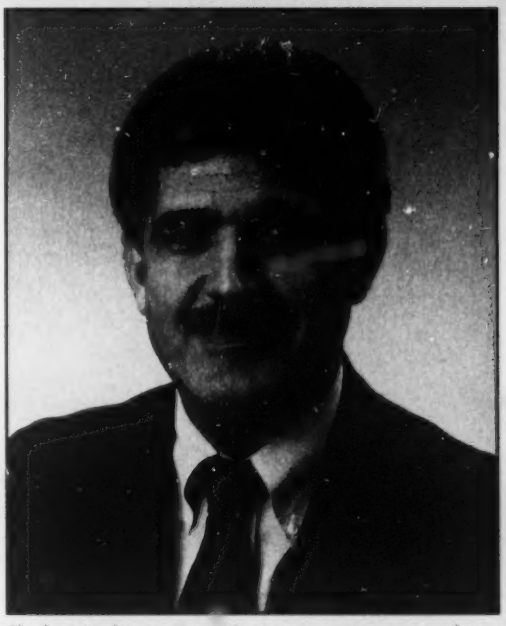
But despite massive support for a free trade agreement, there is still formidable opposition to it in both countries. Fierce lobbying to defeat a free trade proposal will be waged in the United States by agricultural interests, organized labor groups, and such "twilight industries" as clothing and textiles. In general, these interest groups fear they'll lose jobs and goods to Mexico, where salaries are much lower and products cheaper to manufacture.

There are also major concerns about the free flow of workers across the border. Texas Democratic Senator Lloyd Bentsen, who supports free trade, has stated that the wage disparities between the two countries will be a point of contention. As chairman of the Senate Finance Committee, which will vote on any treaty, he will play a key role in the discussions.

In addition, some of the more extremist political groups in Mexico are concerned that their country will "sell out" to big U.S. corporate interests and lose its national pride and sovereignty.

Although there will be pluses and minuses on both sides, many ultimately may agree with Los Angeles Democratic Representative Richard Polanco, who says, "The challenge for a free trade agreement boils down to overcoming fears—fears on both sides of the border. Mexicans feel they cannot compete with technologically advanced American enterprises, while Americans fear they cannot compete with the wages in Mexico. Our two countries are so interdependent that growth in one economy will pull the other along."

Gerard J. Van Heuven, who as executive vice president of the U.S. Mexico Chamber of Commerce testified last year on the benefits of tree trade before the Subcommittee on Trade of the U.S. House Ways & Means Committee, speculates that his organization someday might be called the North American Chamber of Commerce. His recommendation is that negotiations should begin by focusing on the large, sensitive sectors, such as the petrochemical, agricultural, automotive, telecommunications, and textiles industries. The framework for such "sectoral coverage," he adds, has already been shaped by the U.S. International Trade Commission, as outlined in its 1987 and 1989 "Understandings Regarding Trade and Investment Talks."



If a free trade agreement improves customs procedures, it will benefit smaller companies, says Fermin Cuza, assistant treasurer for foreign trade services at Mattel Inc.

Steven Jacobs, director of the Trade Policy Division of the Office of Mexico of the International Trade Administration, says two major areas where Mexico's so-called "infant industry" protection policies may be eliminated by an agreement are computers—including hardware, software, and services—and the automotive industry. He also sees a bigger market for U.S. oil and gas and electric power production equipment.

"Our general conclusion is that free trade will be beneficial for industry in both countries," adds Dr. Don Mischie, director of the Institute for Manufacturing and Materials Management at the University of Texas at El Paso, which conducted a major study for the Border Trade Alliance. "Certainly you'd expect to see benefits accrue to the automotive and electronics industries, as well as the whole gamut of consumer products and food processing, with the opening of the Mexican market. And clearly, transportation will benefit merely from the increased exchange of goods. Another major industry will be production sharing, as businesses become more fully integrated."

One man who is hot on production sharing is foreign investment attorney Mr. Munoz in Chicago, who says, "Since the Midwest is strongest in manufacturing industries, I'll be focusing a lot on investments in maquiladora plants that produce manufactured products, which to me is the most rewarding type of business transaction." He offers seminars on investment opportunities that he calls the "Strategic Alliance for Hispanic Entrepreneurs Joint Venturing in Latin America," and focuses on counseling Hispanic-owned companies with annual sales in the $2 million to $10 million range.

Other areas where Mr. Munoz sees "tremendous growth" for his fast growing two-year-old firm include the simple trade of goods and real-estate development in resort areas. Currently for example, he represents a Chicago developer who is building U.S.-style condominiums in the coastal resorts of Cozumel and Cancun, and a Mexican developer who is marketing his Cancun properties through the Chicago developer.

"As lawyers and businesspeople we have a tremendous opportunity to bring parties together," Mr. Munoz concludes.

Another organization involved in facilitating maquiladora investments is First City Development Services Group, a wholly owned subsidiary of the $12 billion Houston-based First City Bank Corporation. First City Development's President Michael J. Blum says they are now "out to attract a secondary wave of manufacturers." For example the huge volume of TRW Corp.'s four divisions in Reynoso, Mexico (just across from McAllen, Texas) has lured four component manufacturers who supply parts from the nearby United

States side of the border.

"As Mexico and its labor supply become more sophisticated," Mr. Blum points out, "the quality and volume of products in Mexico become more complicated. Therefore there's more of a need for supporting facilities on the U.S. side, and smaller companies will be needed to start making more things for the big guys." To illustrate the volume involved, he notes that one of the TRW plants manufactures 125,000 seat belts a day.

Another early entrant in the field of consulting to would-be production sharers is San Diego-based Assemble in Mexico Inc. (AIM), which helps clients both establish and operate maquiladoras. After 11 years in business, AIM now has more than 35 clients employing about 2,500 people in Tijuana, Tecate, and Juarez. Clients range from *Fortune* 500 companies to mom-and-pop size businesses, and handle everything from wood and metal fabrications to medical equipment to electronics. "We along the border will be the first to enjoy the tremendous growth under a free trade agreement because we're already so well positioned," says AIM President Henry Esparza.

The IMEC Corporation in San Diego is a more specialized consultant that focuses mostly on assisting companies involved in the high-tech electronics industry to get started in Mexico's maquiladora program. Right now, says IMEC President Howard Boysen, he is planning to double the company's annual revenues of $12 million within the five years following a free trade agreement.

A veteran observer of the maquiladora scene is Don Nibbe in El Paso, who for five years has published *Twin Plant News*, a magazine about the industry. He reports that his advertising revenues have doubled each year since he founded the magazine, and projects a 50 percent surge this year.

Based on his own experience, Mr. Nibbe predicts that the border regions will continue to grow as transportation hubs, serving not just existing maquiladoras but expanded businesses farther in the interior of Mexico. He feels strongly that anyone linked to the transportation business has a promising future on the border, including companies involved with the sale of diesel fuel, trucks, truck parts and accessories (particularly tires), and repairs of all kinds. "A lot of Hispanics are already getting involved down there in transportation fields, particularly in the El Paso-Juarez region," he says, because "these trucks have to be serviced. A diesel mechanic can just about name his own salary here these days."

Indeed the poor state of infrastructure in the border towns—the commercial center of bilateral trade—is the first barrier to be overcome, says Dr. Mischie of the Institute of Manufacturing and Materials Management. And not surprisingly most investment interest now is in improving that infrastructure, says Ed Rivera, who is founder of the nonprofit Latin American Pacific Trade Association. "Mexico wants to start expanding the maquiladora-type program into the interior," he explains, "but the major priority now is to upgrade the highway and communications infrastructure there."

As a result, adds Mr. Rivera, who also owns a Sacramento-based consulting firm called International Technical Service, "I'm already getting many more inquiries from the United States and Mexico for trade and business possiblities especially related to transportation, communication, and environmental issues...Our business will definitely grow because of it."

Another initial trade barrier to be dealt with involves inefficient customs procedures on both sides of the border, says Fermin Cuza, assistant treasurer for foreign trade services at Mattel Inc. Mr. Cuza, who is also a director of the American Association of Exporters and Importers, proposed at legislative hearings in California last October that the free trade agreement include ways to improve and "harmonize" customs procedures at the border crossings.

Currently, myriad sets of forms must be filled out in each direction on each side during daylight hours only, a situation that is particularly daunting to small businesses, which commonly lack the resources needed to navigate all the procedures. Mr. Cuza's recommendation is that joint inspections be available around the clock—a normal operating procedure in most of the world's international harbors and airports.

On the other hand, free trade may also reduce some of the benefits that brought early players into the maquiladora program, says Carl Schulman, chairman of Eric Morgan Inc., a furniture maker in Southern California. Mr. Schulman says he moved his manufacturing plant to Mexico two years ago to take advantage of "more realistic" environmental regulations and a 75 percent cut in labor costs. Now, however, he cautions that free trade will probably lead to higher wages and overly stringent environmental laws in Mexico.

But Mr. Schulman has high praise for the work quality and ethic of his south-of-the-border employees, and on that basis thinks Mexico will someday become the world's new economic "tiger," mimicking the growth of Japan—the "Asian tiger." "I envision a day, and I really do, when we will talk about a product 'Made in Mexico' the same way we do now about products 'Made in Japan,'" he predicts. "Many forget, but it was just a few decades ago, when you talked about a product made in Japan in terms of its cheap price—not its high quality. That's obviously changed.

"I think the opportunity exists in Mexico for the same kind of change because of the native pride, caring, and tremendous amount of talent that exists there. It's just a question now of fitting it all together."

U.S. Export Categories Offering Best Growth Prospects With a Free Trade Agreement

- Oil and Gas Field Machinery and Equipment
- Electric Power Production and Dist. Equipment
- Computer Systems and Peripherals
- Computer Software and Services
- Agricultural Equipment
- Ceramics and Glass Equipment
- Telecommunications Equipment
- Pollution Control Equipment
- Hotel and Restaurant Equipment
- Medical Instruments, Equipment, and Supplies

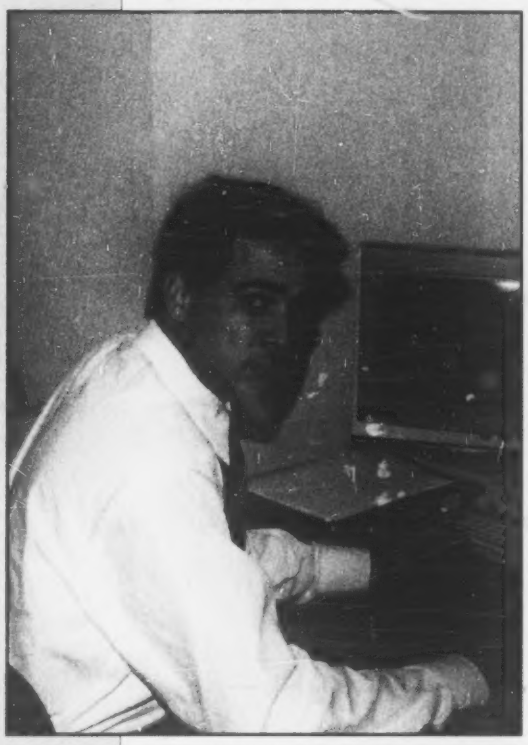
Source: "The U.S.-Mexico Free Trade Agreement," prepared by the Office of the U.S. Trade Representative in Fall 1990, from data developed by the U.S. Embassy in Mexico City

OFFICE TECH

Automation a la Carte

HISPANIC BUSINESS 500 companies move toward portable productivity.

By Joseph Wells



Johnny Delgado of Melloul Travel Consultants uses his Zenith laptop "constantly."

"We are working toward a paperless environment at Melloul Travel Consultants," says Johnny Delgado, COO of his family's Coral Gables, Florida-based business. Mr. Delgado is one of the participants in HISPANIC BUSINESS magazine's first Office Automation Survey. The survey went to all the 1990 HISPANIC BUSINESS 500 companies (which range in revenues from just over $2 million to $500 million), asking about their use of desktop computers, laptop computers, printers, fax machines, photocopiers, cellular phones, and voice mail and "e-mail" systems.

Melloul Travel is one of the few companies that reports using all of the equipment and systems we asked about. From his phone system to the fax card in his Zenith laptop computer, Mr. Delgado is the epitome of an executive preparing for the next century. "We'll never get completely away from the photocopier but we're reducing paper—and the time wasted in producing it—as much as possible," Mr. Delgado booms happily. "E-mail has replaced memos, important letters are scanned and faxed to me, and we're looking into a Minolta any-paper laser fax that also operates as a laser printer and photocopier."

The Delgados' business also epitomizes another reality of today's business office—the move toward portable productivity. Melloul Travel really includes two businesses: a "travel management" service that handles the travel needs of major corporations like Spanish-language TV network Univision Inc., and a wholesale and retail "travel packages" business that handles group travel arrangements. Mr. Delgado and his travel consultants spend much of their time in the field meeting with both customers and vendors, and for them the emphasis is on equipment that can travel too: cellular phones and laptops.

Extrapolating from the survey responses of the participating HISPANIC BUSINESS 500 companies, we can report that the "average" Hispanic business has 9.6 desktop computers and 1.8 laptops; 4.8 printers, most of which are dot-matrix rather than laser; 1.9 fax machines; 2.1 photocopiers; and 3.5 cellular phones.

As in mainstream businesses, DOS-based systems (IBM and IBM-compatible personal computers) are still the machines of choice for primary business applications. Macintoshes—accounting for almost 10 percent of the computers reported—are used primarily for creative applications such as desktop publishing. One of the 48 companies that report using both is Hernandez Engineering in Houston. "Different computers for different purposes," says CEO Mike Hernandez.

As for market share, IBM has the biggest claim on the Hispanic business market. This might seem surprising because many of the IBM-compatible brands and "clones" are virtually identical but far less expensive. As Mr. Delgado explains it, his firm had used IBMs for several years, and purchased more when they decided to use System One—a sophisticated computerized reservation system that by contract requires use of IBM equipment. "The result has been excellent," he concludes. "We like the quality as well as the quick and thorough technical support of IBM." While IBM provides service for its mainframes, it doesn't service personal computers, a benefit some other makers do provide.

Another consideration expressed by IBM users whose machines are visible to customers is that the IBM name carries a high degree of "respectability," in part precisely because it has been the high price brand. Further, the brand has a long history of reliability and is considered a safe choice because most other makes are designed to be compatible with it.

Although compatibles and clones make up half of all the computers reported by the 500, no brand claims more than 10 percent share. Compaq is number two at 9.5 percent. But the popularity of non-IBM brands is still increasing steadily, especially with more mass marketers and "direct mail" brands fighting for market share.

Mass marketers are usually independent superstore outlets that sell many clone brands and offer a lower price owing to economies of scale. Direct mail brands are the products of manufacturers that market primarily by mail order. Many of these

The average Hispanic business polled has in its offices...

9.6	Desktop computers
4.8	Printers
3.5	Cellular telephones
2.1	Photocopiers
1.9	Facsimile (fax) machines
1.8	Laptop computers

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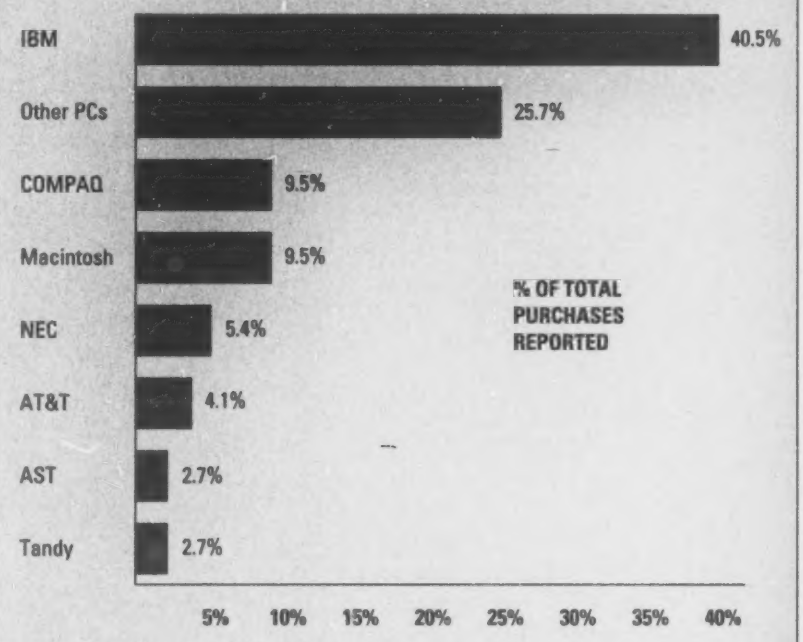
IBM has long set the standards in the field, from the first "PC" to PS/2 systems such as the model 70 386 seen here.

Desktop Computers

Brands the HISPANIC BUSINESS 500 buy



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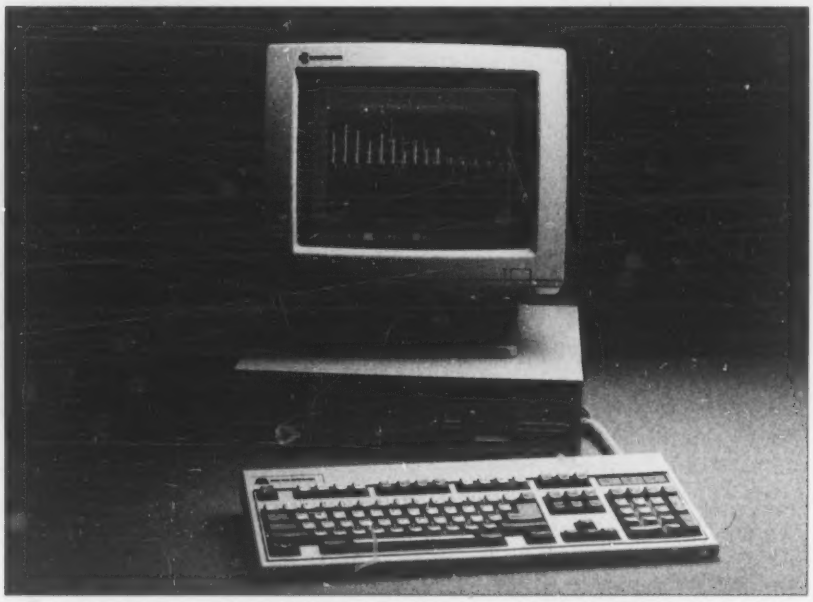
makers offer a lower price while maintaining quality, partly because they avoid the cost of a distribution system for their direct mail sales.

The Wall Street Journal projects that such nontraditional sales channels, which now reportedly account for about 6 percent of the U.S. personal computer market, will triple their market share by 1994.

We were surprised to learn how popular laptop computers are among the HISPANIC BUSINESS 500. The average is almost two per company. Given today's growing business emphasis on portable productivity, and the plans for expansion that many of the 500 have reported, the average seems sure to increase.

Techniserv Data Systems Inc., a data processing equipment firm in Teaneck, New Jersey, believes laptops have contributed greatly to the company's growth. Because Techniserv sells laptops as part of its product line, "we use them ourselves primarily in demonstrating services," says CEO Lutfi Mansoor, a Hispanic of Central American descent. "For example, we show how laptops can easily be plugged directly into an office's LAN [computer network]."



Direct sales mail order companies are grabbing up a bigger share of the market with computers like the Micro Express ME 386-SX, which got high marks in several reviews.

Toshiba has a slight hold on first place in laptop market share among the 500, although Zenith is within 1 percent of a tie with that maker.

Most of the printers reported are still dot matrix technology, although laser printers are gaining ground rapidly. Hewlett-Packard makes most of the laser printers used by the 500, while the list of dot-matrix brands reported is so long that no single brand stands out.

Fax machines are found in 95 percent of the HISPANIC BUSINESS 500 offices, at a rate of nearly two per office. Melloul Travel even has one at the Burger King restaurant across the street, but not just to order hamburgers. Mr. Delgado is also chief executive officer of the company that owns this Burger King and several others—Jackie O's Inc. Since the restaurant is located in an affluent business area, Mr. Delgado explains, he encourages his own staff and other busy professional customers in the neighborhood to "fax in their

Working Away From Home

A phone in the car, a laptop computer on the plane—these are becoming a necessity for businesspeople who travel. And when today's business travelers get where they're going, more and more of them are asking for hotel accommodations that can serve as an office as well as a bedroom. It's a matter of productivity.

Not surprisingly given the importance of business travelers as steady, repeat customers who help keep occupancy rates up on weekdays and in all seasons, major hotel chains are making large investments in "executives suites."

Years ago, quarters suitable for entertaining clients and holding meetings were priced so high that only the wealthy could consider them. Now the typical daily rate at the largest all-suite hotels is $90. Although suites account for only 5 percent of the nation's 3 million hotel rooms, they are the fastest growing segment in the industry.

The hotel company with the most all-suite hotels is Embassy Suites Inc., a wholly-owned subsidiary of The Promus Companies Inc., a publicly traded hospitality company specializing in hotels and casinos. Promus was created a year ago when Holiday Corp. transferred its Holiday Inn hotel business to Bass Plc. of Great Britain and spun off its remaining brands, including Embassy Suites, which is headquartered in Dallas.

The all-suite hotel concept was born in 1969 when the first of an eventual chain of Granada Royale hotels opened in Phoenix, and has since expanded to include 102 hotels with approximately 24,000 suites in 31 states and 80 cities. With five hotels under construction, and planned expansion into Mexico and the Caribbean, the chain continues to grow. Embassy Suites is a joint venture partner in 26 of its hotels and owns seven outright. The remaining 69 are franchises.

Embassy Suites caters to business travelers, which make up 65 percent of its client base. And that percentage is continuing to grow, says Diego S. Garrido, Jr., the company's vice president of marketing. Mr. Garrido, who was born in the Philippines of Spanish parents, is one of three high level Hispanics at Embassy Suites. Chilean-born J. Carlos Tolosa was recently named senior vice president of operations, and Cuban-born Bernardo Lambert is senior director of international marketing and trade affairs.

Embassy Suites serves a specific subsegment of the business market, Mr. Garrido points out. "Our customers are men and women who are primarily in the information business, technocrats. What we are talking about here is a practicing, versus management, orientation—technicians, graphic artists, lawyers, consultants, trainers, accountants, computer programmers."

Diego S. Garrido, Jr., Embassy Suites vice president of marketing (left), and Bernardo Lambert, senior director of international marketing and trade affairs, inspect the atrium in one of the firm's 102 hotels.

This clientele profile typically does not include "the pin-stripe suit types who go across the street to the Marriott and identify themselves by saying, 'I'm the vice president of finance,'" Mr. Garrido elaborates. That traveler is looking for a different mix of services, "a business center with secretarial service," something that Embassy Suites makes available in only about one-fourth of its 102 locations.

The business travelers who stay at Embassy Suites tend to be more independent than the top executive class, Mr. Garrido points out. The company's studies show that close to 40 percent of their visitors carry their own laptops. "There is a high incidence of high tech," is the way he summarizes it.

High-tech customers of course demand high-tech facilities. "The whole idea of Embassy Suites," Mr. Lambert says, "is to be able to provide a complete office environment for our guests—features that will allow people to conduct business from the suite as an office and also present it as an office to their clients." Consequently, fax and copier machines are available at each location. Each suite has two phone jacks that permit easy computer modem connections, allowing transmittal of information to other locations. And by the end of this year all Embassy Suites will have a voice messaging system.

Embassy Suites is also testing an expansion of its high-tech facilities in its new Manhattan hotel. "We call this service 'in-suite, in-business,'" Mr. Garrido explains. "Through it, a guest can arrange to have a computer, a printer, a fax machine, a typewriter, or a calculator brought to the suite 24 hours a day."

The suites themselves include a living room, bath, and separate bedroom. The living room is furnished with sofa and armchair, a dining/work area, telephone, color TV, refrigerator, wet bar, and in most cases icemakers and microwave ovens or ranges. The bedroom is equipped with a telephone and a 19-inch remote control color TV.

A distinctive feature of each hotel is the central atrium, which provides both visual appeal and security. Because all suites open onto the atrium, guests don't have to walk down long dark halls to reach their suites. Embassy Suites says its women guests especially appreciate the security, and their numbers show it. While about 30 percent of all frequent business travelers in this country are women, 35 percent of all Embassy Suites guests are women.

food orders for pickup or delivery."

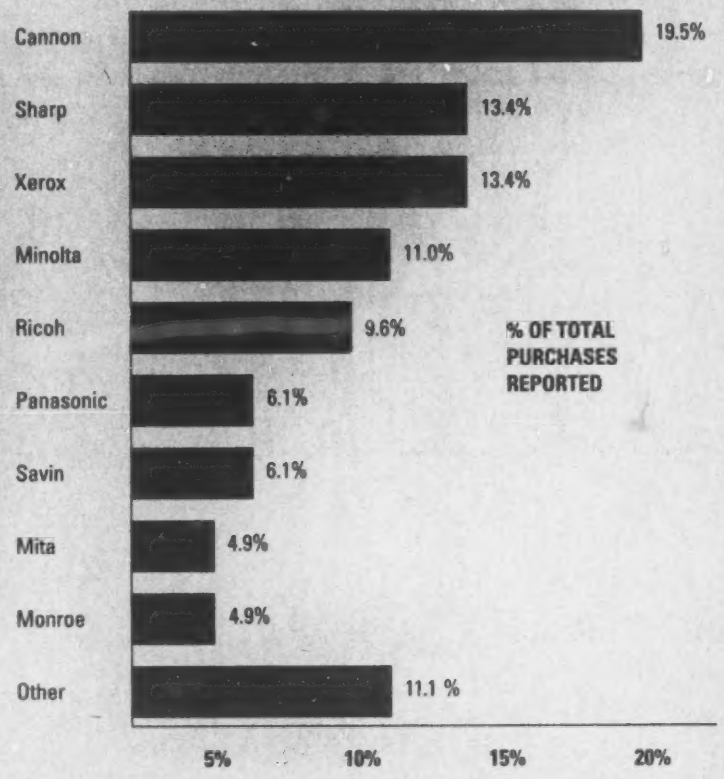
The Sharp brand commands nearly one-quarter of the 500 market for fax machines, about equal to its share of the mainstream market, according to research done by Dataquest, a leading national market research firm based in San Jose, California.

Lutfi G. Mansoor, CEO of Techniserv Data Systems in New Jersey, leases and sells new and used laptop computers.

Photocopiers have been essential to doing business for many, and virtually every company in the survey has at least one. Canon photocopiers are the machines most often found in the 500 companies,

Photocopy Machines

Brands the Hispanic Business 500 buy



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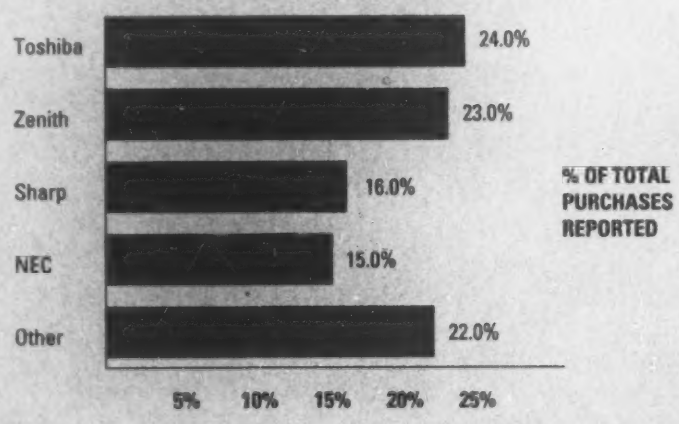
Laptop Computers

Brands the Hispanic Business 500 buy



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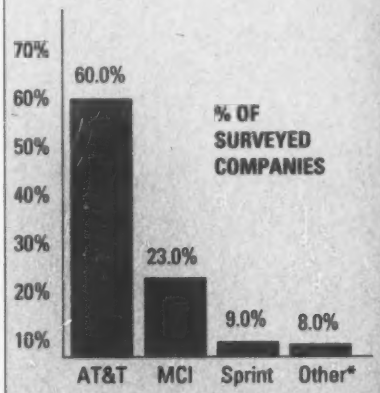
Long Distance Carriers

Carriers the Hispanic Business 500 use



*Of the other carriers, no single company had a 1 percent share.

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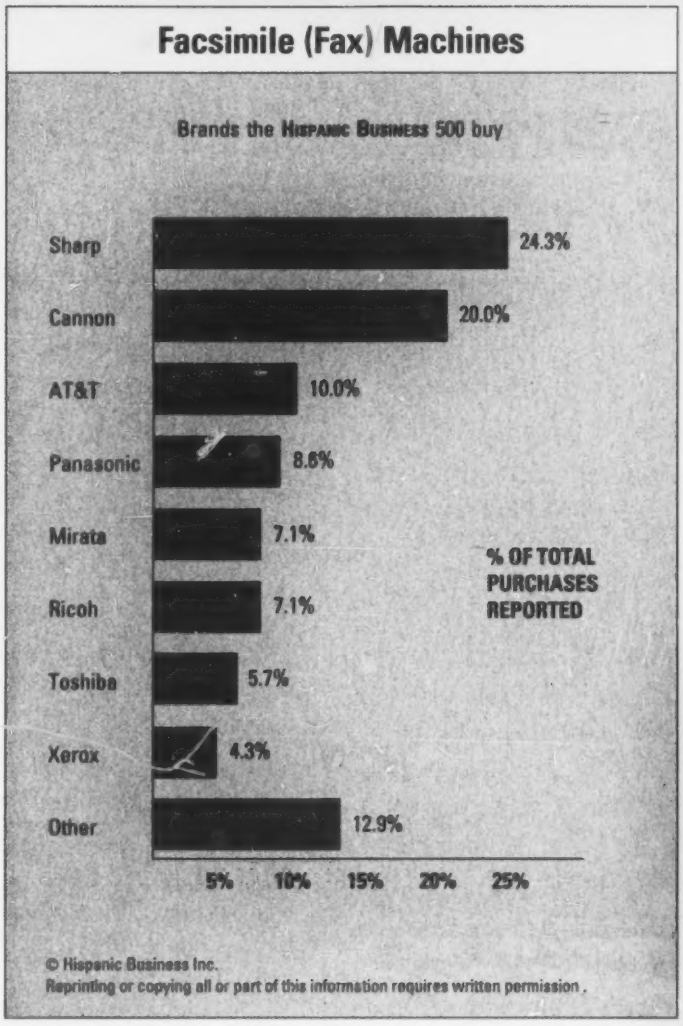

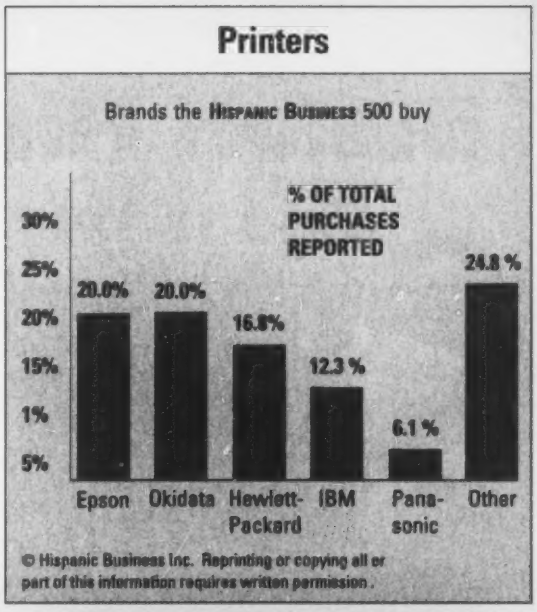

The FO-5210 plain paper laser fax helps Sharp lead the pack in the Hispanic and mainstream business markets.

followed closely by Sharp and Xerox.

Our survey shows an average of 3.5 cellular phones per company. Among the brands reported, Motorola was the brand most often chosen—controlling about 35 percent of the market. No other reported brand reached the 10 percent mark.

Voice mail and e-mail are in no way related, although companies may use both. Voice mail is an automated voice answering and recording system that handles calls from outside the company and is found in 10 percent of the surveyed companies. E-mail is an in-house, computer-based message system found in 18 percent of the companies. Only 2 percent of the companies have both.

Overall, perhaps the most interesting trend that our Office Automation Survey identified was the move toward more executive mobility. We've heard many stories of how professionals in all fields are using portable technology to make their out-of-office work, travel, and commuting time productive. As a result, HISPANIC BUSINESS this month announces the "Portable Productivity Award," to be presented in our September 1991 High-Tech issue.

As explained on the contest entry form that follows this article, we will award a new $2,000 Micro Express portable computer (a direct mail product) to the person or company describing the most creative and effective use of portable technology to increase business productivity.

Entries must be short essays of under 300 words, postmarked no later then midnight June 16, 1991. After an initial screening by this magazine's editorial board, the HISPANIC BUSINESS Portable Productivity Award winner will be selected from a group of finalists by a panel of prominent Hispanic businesspeople.

The judges will be Remedios Diaz-Oliver, CEO of American International Container Inc. in Miami; Lauro Garcia III, president of the Los Angeles investment banking firm of Bancroft, Garcia and Lavell; and George Arellano, New York-based senior vice president and general manager for commercial business of major paper manufacturer Abitibi-Price Inc.

If you enter the contest you may make yourself or your company a winner, and see your winning ideas help many other professionals as well.

Between Affirmative Action and a Hard Place

As educational and business institutions are getting mixed signals from the government regarding equal opportunity programs, the College Placement Council (CPC) has published a brochure to assist businesses in recruiting minority students on campus. "While some employers—particularly federal contractors—are mandated by law to practice affirmative action in recruiting, there is a growing judicial disapproval of the very notion of affirmative action," observes CPC General Counsel Rochelle K. Kaplan. "Ironically, this comes at a time when changing demographics indicate that women and minorities will account for 85 percent of all new work force entrants by the year 2000, making affirmative action a business imperative rather than a moral or legal issue." The brochure "Affirmative Action Today" discusses the legal bases of affirmative action, voluntary and mandatory approaches to effective programs, information about on-campus recruitment practices, and a model program for recruiting women and minorities. For copies of the brochure, call the Legal Department, College Placement Council (215) 868-1421.

Federal Contract Opportunities

The U.S. Department of Labor has designated more than 1,600 locations in the country as "labor surplus areas" for the fiscal year ending September 30, 1991. Companies in these areas are eligible for preference in bidding on designated federal contracts because of economic need and unforeseen increases in unemployment. The Department of Labor will add areas to this list during the year as a result of plant closings, natural disasters, contract cancellations, and the like. Temporary or seasonal unemployment does not qualify a region for consideration as a labor surplus area, although the state of the economy will affect the "qualifying unemployment rate" for designation. The labor surplus area listing and a description of classification criteria are published in the publication "Area Trends in Employment and Unemployment." To order a copy, call the Superintendent of Documents at the U.S. Government Printing Office in Washington, D.C., (202) 783-3238.

Minority Franchise Activity Uneven

A survey conducted by Francorp Inc., an Illinois-based franchise development and consulting firm, reveals that about 6.9 percent of all franchises in the country belong to minority group members. The survey results also show that minority franchise owners tend to be more concentrated in four types of businesses—hospitality/lodging (13.3 percent), retail food (12.1 percent), restaurants (8.5 percent) and professional services (8.3 percent). By comparison 5.7 percent of automotive and 1.6 percent of construction/home improvement franchises are owned by minorities. The federal Minority Business Development Agency (MBDA) adds that minority franchise businesses seem to be most concentrated in a few states. One third of the businesses assisted by the agency are in California, Texas, and Florida. Twenty-five percent of these businesses are Hispanic owned. Perhaps most important, the Francorp study shows that almost half of all franchisers surveyed report having no minority franchisees.

Minority-owned Franchises

Percentage of U.S. minority-owned franchises by franchise sector.

Hospitality/Lodging	**13.3%**
Retail Food	**12.1%**
Restaurants	**8.5%**
Professional Services	**8.3%**
Automotive	**5.7%**
Business Services	**5.3%**
Personal, Home Services	**5.0%**
Retail, Non-food	**4.0%**
Construction/Home Improvement	**1.6%**

(Source: Francorp Inc.)

Instant Information

The University of Southern California (USC) has published a 300-page bilingual guide listing more than 1,000 organizations serving the Hispanic community in the Los Angeles area. The "Directory of the Hispanic Community of the County of Los Angeles" lists all national, regional, and local Hispanic organizations that are active in the county, and all agencies and institutions providing services to Hispanics. The listings are divided into practical categories, including business and professional, chambers of commerce, cultural/civic/social/fraternal, political, services, and media. Each bilingual entry provides the organization's name, address, and phone number; a description of the organization; and the name of a contact. This is the fifth edition of the directory, which has been published every two years since 1982. It is a community outreach project of USC's Civic and Community Relations department, and is partially funded by the Consulate General of Spain in Los Angeles and the Los Angeles Office of the Ministry of Education of Spain.

Neighborhood Stores

The Hispanic population's shopping habits have greatly influenced the retail industry in the past 10 years, according to a recent study conducted by Audits & Surveys Inc. This New York-based marketing research firm's analysis of retail store openings from 1980 to 1990 shows an increase in large department and discount store openings and a disappearance of small outlets *except* in heavily Hispanic and African-American areas, where neighborhood stores have been able to compete and prosper. "This is in great part because the two fastest-growing population groups—those of Hispanic background, and African-Americans—prefer to shop locally," explains Solomon Dutka, Audits and Surveys chief executive officer. "While the overall U.S. population grew 11 percent in the past decade, the number of Hispanics rose 32 percent. The Hispanic market is large enough that you can specialize in it. So we have local food stores, music and record stores, small electronics outlets, and video rental stores well established in Hispanic neighborhoods."

FBI Alleviates Plague of Discrimination

FBI Director William S. Sessions has approved the promotion of 11 Hispanic special agents as the result of a successful discrimination suit brought against the Bureau by more than 300 Hispanics in 1988. Each of the 11 is entitled to as much as $50,000 in additional salary and retirement benefits. The Bureau, which is responsible for enforcing federal civil rights laws, has been plagued recently by a series of discrimination suits brought by its African-American, Hispanic, and female employees. The Hispanic agents' promotions were recommended by a three-member panel formed in 1988 after a ruling by Federal District Judge Lucius D. Bunton III in Midland, Texas. Judge Bunton found widespread discrimination in the Bureau's treatment of Hispanic employees. In granting the promotions, Director Sessions rejected the advice of senior aides who believed the action would create a dangerous precedent within the Bureau.

Job Training: A Sound Strategy

Training employees increases profits: this is the message the American Society for Training and Development (ASTD) intends to give employers during its three-year educational campaign entitled "Train America's Workforce." The campaign follows a four-year study of corporate skill levels conducted by the ASTD with support from the Department of Labor. According to ASTD Chief Economist Anthony P. Carnevale, America's continued ability to compete depends on new or expanded job training for 50 million employees over the next decade. It excludes the 37 million workers who need entry level or "qualifying" training. American companies currently spend $30 billion annually on job training, in comparison with $476 billion for new plant and equipment. The three-year campaign to change the way companies invest in people will focus attention on techniques used by organizations like IBM, Ford Motor Company, Federal Express, and Domino's Pizza, which have made real gains through their training programs.

Geometry Has Right Angle for College

Hispanic students who take at least one year of geometry in high school vastly increase their chances of getting into college and earning a degree. This finding is a result of a one-year study conducted by Pelavin and Associates for the College Board. The study reveals that in the 1980s the percentage of Hispanic high school graduates entering college decreased even though Hispanics were a growing proportion of the college-age population. However, among Hispanic individuals who had taken geometry, the percentages who attended college were virtually identical with mainstream students, and the Hispanic students' chances of reaching the senior year or graduating tripled. Previous studies also corroborate the connection between studying math and college success. Calling math "the gatekeeper for success in college," College Board President Donald M. Stewart recommends serious consideration of a national policy to ensure that all high school students take algebra and geometry.

Impact of High School Geometry Instruction

(% of students in high school class of 1982)

Students enrolled in college:

	No Geometry	With Geometry
Hispanic	**45%**	**82%**
Mainstream	**58%**	**83%**

Students completing four years of college:

	No Geometry	With Geometry
Hispanic	**11%**	**34%**
Mainstream	**33%**	**40%**

(Source: Pelavin and Associates for the College Board.)

Time for the Untraditional

The Labor Department is launching a multifaceted initiative to help women get training in skilled trades. According to former Labor Secretary Elizabeth Dole, who announced the initiative before leaving office, "Eighty percent of working women are in traditionally female jobs, many of which are low paying," while skilled workers such as electricians, machinists, carpenters, auto mechanics, and auto painters earn higher wages, get better fringe benefits, and enjoy greater job security. "For some women [training in a skilled trade] means the difference between being on welfare and being economically self-sufficient," says former Secretary Dole. The initiative concentrates on making apprenticeship programs available to women through enhanced enforcement of equal employment opportunity laws, education, and technical assistance to employers wanting to establish in-house programs. Of the 400,000 apprentices trained every year, nearly 22 percent are ethnic minority group members and only about 7 percent are women.

ASPIRA Receives Healthy Grant

The ASPIRA Association Inc. has been awarded a continuation grant of $209,000 for its ongoing National Health Careers Program. ASPIRA is a national nonprofit organization dedicated to encouraging and promoting education and leadership development among Hispanic youth. The grant comes from the U.S. Bureau of Health Professions, Health Careers Opportunity Program, and will support ASPIRA's efforts to increase the number of Hispanics and other minorities entering the health professions. Now in its 20th year, the program is coordinated by the ASPIRA national office in Washington, D.C., and is offered through associate offices in New York, Illinois, Pennsylvania, New Jersey, and Puerto Rico. The grant provides funding for counseling services, academic enrichment activities, and placement services to 1,000 high school students. "ASPIRA's Health Careers Program has proven to be so successful that many of the health care providers who have gone through the program and are now practicing have referred students as potential participants in the program," says Rolando Thorne, who chairs the program's council of volunteer advisors.